

**REPORT OF THE AUDIT OF THE  
BELL COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BELL COUNTY SHERIFF**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Bell County Sheriff's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Excess fees increased by \$141,214 from the prior year, resulting in excess fees of \$406,091 as of December 31, 2003. Revenues increased by \$136,349 from the prior year and expenditures increased by \$865.

#### **Report Comment:**

- The Sheriff Should Have A Written Agreement To Protect Deposits

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds. However, the depository institution did not have a written agreement that identifies the excess deposit insurance bond provided as collateral.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William P. Kelley, Bell County Judge/Executive  
Honorable Bruce Bennett, Bell County Sheriff  
Members of the Bell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Bell County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued a report dated May 6, 2005, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable William P. Kelley, County Judge/Executive  
Honorable Bruce Bennett, County Sheriff  
Members of the Bell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Have A Written Agreement To Protect Deposits

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Bell County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 6, 2005



BELL COUNTY  
 BRUCE BENNETT, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 94,626		
Cabinet For Human Resources	93		\$ 94,719

Circuit Court Clerk:

Fines and Fees Collected			1,300
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Fiscal Court:

Sheriff's Salary	\$ 61,476		
Election Commissioners	850		62,326

County Clerk - Delinquent Taxes

14,543

Commission On Taxes Collected

216,667

Fees Collected For Services:

Auto Inspections	\$ 12,784		
Accident and Police Reports	1,151		
Serving Papers	22,014		
Carrying Concealed Deadly Weapons Permits	7,425		
Advertising Fees	8,563		
Late Fees	25		
Add-On Fees	34,047		86,009

Overpayments From State

1,833

Interest Earned

253

Total Revenues

\$ 477,650

The accompanying notes are an integral part of the financial statement.

BELL COUNTY  
 BRUCE BENNETT, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Operating Expenditures:

Carrying Concealed Deadly Weapons Permits	\$	4,790
Materials and Supplies-		
Office Materials and Supplies		3,655
Other Charges-		
Postage		175
Insurance		906
Bond		<u>557</u>
Total Expenditures	\$	<u>10,083</u>
Net Revenues	\$	467,567
Less: Statutory Maximum		<u>(61,476)</u>
Excess Fees Due County For 2003	\$	406,091
Payments to Fiscal Court - Various Dates		406,025
Payment to Fiscal Court - October 18, 2004		<u>66</u>
Balance Due Fiscal Court at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

BELL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems.

This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months of the year and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board or directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement that identifies the excess deposit insurance bond provided as collateral.

Note 4. Petty Cash Balance

The Bell County Fiscal Court allows the Sheriff to retain \$500 in the fee account to pay miscellaneous expenses. At the end of the Sheriff's term in office the funds will be turned over to the Fiscal Court.

BELL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2003  
(Continued)

Note 5. Drug Enforcement Account Purdue Pharma Grant

The Bell County Sheriff's Office applied for and was awarded a grant of \$10,000 from Purdue Pharma Corporation for the specific purpose of conducting investigations focused on the abuse and diversion of prescription drugs throughout the Bell County area. All grant proceeds received were deposited into a Drug Enforcement account. Receipts totaled \$10,000 during 2003. An additional \$6 in interest income was received in the Drug Enforcement account during 2003. The Sheriff expended \$3,560 during 2003 for the intended purpose, and the sheriff's office has complied with the reporting requirements of the grant agreement. The remaining grant balance at December 31, 2003 was \$6,440, and the remaining balance in the Drug Enforcement account was \$6,446.

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COMMENT AND RECOMMENDATION





BELL COUNTY  
BRUCE BENNETT, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Have A Written Agreement To Protect Deposits

The sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of April 10, 2003, the sheriff had bank deposits of \$947,572; FDIC insurance of \$100,000; and collateral pledged or provided of \$3,424,233. Even though the sheriff obtained an excess deposit insurance bond of \$3,000,000, there was no written agreement between the sheriff and the depository institution, signed by both parties, securing the sheriff's interest in the surety bond. We recommend the sheriff enter into a written agreement with the depository institution to secure the sheriff's interest in the surety bond provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Sheriff's Response: We were unaware of additional written agreement being required. Effective 10/12/04 this additional written agreement was secured.*

INTERNAL CONTROL - REPORTABLE CONDITION:

None

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William P. Kelley, Bell County Judge/Executive  
Honorable Bruce Bennett, Bell County Sheriff  
Members of the Bell County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bell County Sheriff for the year ended December 31, 2003, and have issued our report thereon dated May 6, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bell County Sheriff's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Have A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 6, 2005

